

KENTUCKY ECONOMIC INDICATORS

March 2008 as of May 22, 2008

KY Composite Index of Leading Indicators increased by 0.1 percent in March.

- The Leading Index has increased for the second time in 2008.
- Year-over-year the index declined by 1.2 percent.
- The component indicators leaned positive, 3:2.
 - + KY Labor Intensity Index increased 0.3 percent.
 - KY Index of Initial UI Claims decreased by 12.8 percent.
 - + US Retail Sales increased by 2.4 percent.
 - US Manufacturer's New Orders Index decreased by 4.2 percent.
 - + Louisville Help Wanted Index increased by 2 points to 20.

Component weights for March are 69.0, 13.0, 11.8, 4.9 and 1.2 respectively.

KY Composite Index of Coincident Indicators increased by 0.9 percent in March.

- The Coincident Index growth is positive for the second time in 2008.
- Year-over-year growth is positive for the fifty-sixth consecutive month at 1.0 percent.
- Component indicators were all positive, 3:0.
 - + KY Non-farm Employment increased 0.7 percent.
 - + US Industrial Production Index increased 2.1 percent.
 - + US Personal Income Less Transfers increased marginally with 0.02 percent growth.

Component weights for March are 37.8, 31.2 and 18.4 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

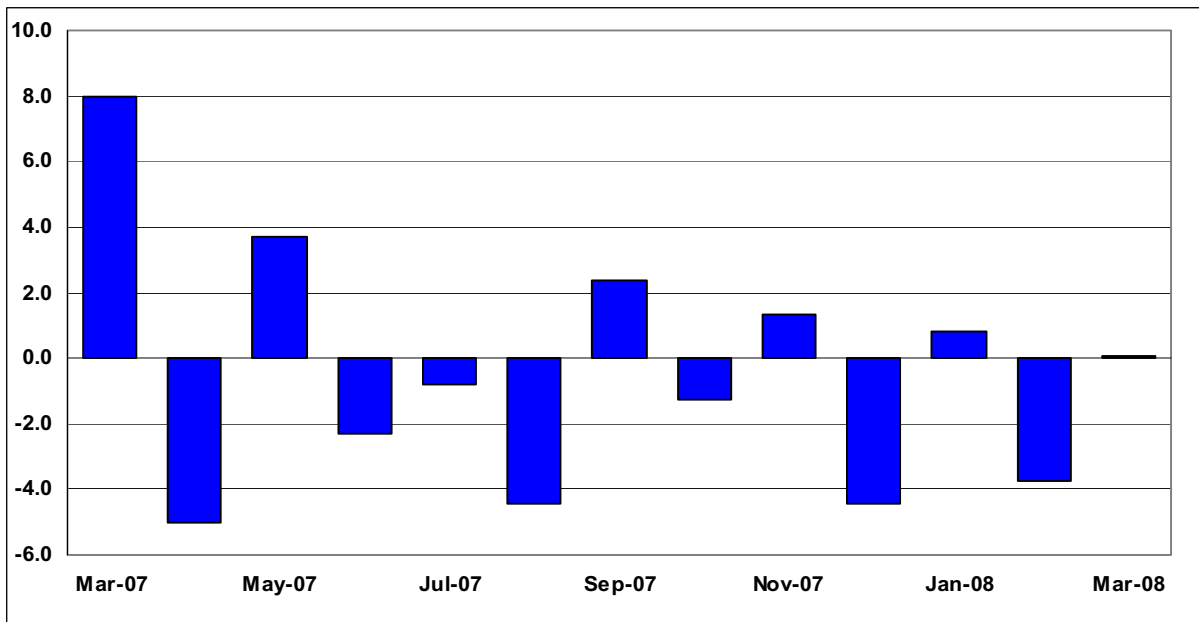
The Kentucky Leading Index was marginally positive for March 2008. March is now the eighth consecutive month that the Kentucky Leading Index growth rate has changed sign from the preceding month. On net the Index is down by 1.2 percent over March 2007. The last trio of same-sign month-to-month growth rates was the trio of negatives from June to August 2007. The heavily weighted Kentucky Labor Intensity Index was slightly positive. The series has hovered in the 104.6 to 105.0 range since April 2006. An encouraging sign is that the series has not sharply declined like it did during the last two recession periods. In the 1990 and 2001 recessions, the Kentucky Labor Intensity Index grew moderately to strongly, peaked, and then fell sharply and consistently for several months. The Labor Intensity Index is not showing signs of recession nor clear expansion. As this series contains the most weight in the Leading Index, we will continue to track its trend and oscillations.

Transportation Equipment employment rose by 1,900 seasonally adjusted jobs (or 3.6 percent). The other four employment sectors in the Kentucky Labor Intensity Index changed by 100 seasonally adjusted jobs or less. There was no clear growth trend among the other four components, so Transportation Equipment employment made up the majority of the employment effect for the index. There was very little change in the average weekly hours for all five sectors. The largest change occurred in Wood Products which declined by -0.31 percent over February 2008. Three of the five sector's average weekly hours were negative. Coal, Plastics and Rubber Products and Transportation Equipment average weekly hours were positive but made very small gains.

The Kentucky Index of Initial Unemployment Insurance Claims was the largest declining component with -12.8 percent. Both components that make up the Index increased for March. The Kentucky First Payments increased by 5.5 percent over February, while US Initial Claims increased by 8.3 percent. Both components also increased compared to last March, increasing 14.0 percent and 20.4 percent respectively. The Kentucky First Payments experienced some extreme volatility from October 2007 to January 2008. The seasonally adjusted month-to-month growth rates were 91.2, -47.3, 59.1 and -35.8 percent respectively. This period of volatility seems to be over, as the last two months of increases have tapered to 15.8 and 5.5 percent. So despite the fact that the series has stabilized in the last couple months, the Index remains 2.8 points (2.7 percent) below where it was in March 2007.

After a single month of moderate monthly inflation, the CPI for all goods rose again to 4.2 percent for March. Average month-to-month inflation for the first quarter of 2008 is 3.1 percent. The quarter-over-same-quarter growth was 4.2 percent. Still this is down from the November single month seasonally adjusted annual rate growth rate of 11.3 percent increase in the CPI. Increases in energy prices usually take a few months to make their way into the prices of final consumer goods. Energy prices have increased sharply for several months, therefore all of the increases in prices have not made their way through to all final products. It is expected that this level of inflation should persist for several more months as these energy prices make their way into the base prices for consumer goods.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **KY Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **KY Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly. This is an inverted index. That is, when either component goes down, ceteris paribus, then the index value goes up. Likewise if either component goes up, then the index value goes down.
- **U.S. Retail Sales:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	2007												2008		
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	FEB	MAR
KY Leading Index (1992=100)	113.3	112.8	113.1	112.9	112.8	112.4	112.6	112.5	112.6	112.2	112.3	111.9	111.9	111.9	111.9
% Chg Previous Month SAAR	8.0	-5.0	3.7	-2.3	-0.8	-4.4	2.4	-1.3	1.4	-4.5	0.8	-3.7	0.1	-3.7	0.1
% Chg Same Month Last Year	-0.1	-0.4	0.3	-0.1	0.0	-0.1	-0.1	0.0	0.1	-0.9	-0.4	-0.5	-1.2	-0.5	-1.2
KY Leading Index Diffusion Index	73.3	66.7	73.3	60.0	60.0	56.7	60.0	60.0	56.7	60.0	63.3	60.0	56.7	60.0	56.7
KY Coincident Index (1992=100)	135.4	135.6	135.7	136.0	136.3	136.3	136.6	136.5	136.8	136.9	136.9	136.6	136.7	136.6	136.7
% Chg Previous Month SAAR	1.4	1.4	1.3	2.6	2.5	0.6	2.0	-0.3	2.0	1.0	0.5	-2.7	0.9	-2.7	0.9
% Chg Same Month Last Year	1.4	1.5	1.7	1.6	1.9	1.8	1.9	1.6	1.7	1.4	1.5	1.0	1.0	1.0	1.0
KY Non-farm Employment (000s)	1,862.7	1,863.2	1,869.1	1,871.1	1,869.3	1,868.4	1,870.8	1,874.5	1,877.9	1,880.0	1,881.5	1,880.5	1,881.6	1,880.5	1,881.6
% Chg Previous Month SAAR	2.4	0.3	3.9	1.3	-1.1	-0.6	1.6	2.4	2.2	1.4	1.0	-0.6	0.7	-0.6	0.7
% Chg Same Month Last Year	0.7	1.1	1.3	1.4	1.5	1.1	1.2	1.5	1.5	1.0	1.2	1.2	1.0	1.2	1.0
KY Private Services Employment (000s)	1,178.9	1,177.1	1,182.3	1,182.9	1,181.5	1,181.8	1,180.5	1,185.5	1,187.0	1,188.9	1,195.1	1,194.2	1,191.8	1,194.2	1,191.8
% Chg Previous Month SAAR	4.5	-1.8	5.4	0.7	-1.4	0.3	-1.3	5.2	1.5	1.9	6.4	-0.9	-2.3	-0.9	-2.3
% Chg Same Month Last Year	1.4	1.6	1.9	1.9	1.9	1.8	1.6	1.7	1.5	1.2	1.6	1.7	1.1	1.6	1.1
KY Mfg Employment (000s)	255.4	257.9	257.8	258.3	256.3	252.8	254.8	253.9	253.1	250.7	250.6	250.4	253.3	250.4	253.3
% Chg Previous Month SAAR	-15.1	12.4	-0.5	2.4	-8.9	-15.2	9.9	-4.2	-3.7	-10.8	-0.5	-1.0	14.8	-0.5	14.8
% Chg Same Month Last Year	-2.9	-1.8	-1.5	-1.4	-1.3	-3.4	-2.3	-0.9	-0.9	-3.3	-3.2	-3.3	-0.8	-3.2	-0.8
KY Unemployment Rate (%)	5.6	5.5	5.6	5.5	5.5	5.5	5.4	5.4	5.1	5.3	5.2	5.3	5.7	5.2	5.7
KY Index of Initial UI Claims (1992=100)	103.8	103.1	104.0	103.7	104.1	103.4	103.8	101.4	103.0	101.3	102.9	102.2	101.0	102.2	101.0
% Chg Previous Month SAAR	13.3	-8.3	11.0	-3.0	4.3	-7.1	4.9	-25.0	20.6	-17.2	20.3	-8.0	-12.8	-8.0	-12.8
% Chg Same Month Last Year	-0.3	-1.4	0.9	-0.2	0.6	1.0	1.1	-1.7	0.2	-2.1	-0.7	-0.5	-2.7	-0.7	-2.7
KY Labor Intensity Index (1992=100)	104.6	104.8	104.9	104.9	104.8	104.6	104.7	105.0	105.0	104.7	104.7	104.7	104.7	104.7	104.7
% Chg Previous Month SAAR	-1.5	2.0	1.2	-0.1	-0.9	-2.0	0.7	3.6	0.2	-3.5	0.2	-0.7	0.3	-0.7	0.3
% Chg Same Month Last Year	-0.5	-0.2	0.0	-0.1	-0.1	-0.2	-0.2	0.4	0.5	-0.1	0.0	-0.1	0.1	0.0	0.1
Louisville HWI (1992=100)	43.0	29.0	30.0	28.0	23.0	22.0	23.0	23.0	19.0	20.0	19.0	18.0	20.0	18.0	20.0
% Chg Previous Month SAAR	4,973.2	-99.1	50.2	-56.3	-90.6	-41.3	70.5	0.0	-89.9	85.1	-46.0	-47.7	254.1	-47.7	254.1
% Chg Same Month Last Year	7.5	-27.5	-14.3	-24.3	-32.4	-31.3	-34.3	-36.1	-50.0	-52.4	-45.7	-41.9	-53.5	-45.7	-53.5
GF Total Tax Receipts (\$ mill)	652.7	671.9	784.7	788.6	608.6	566.5	822.3	639.4	624.7	822.3	724.3	564.7	610.5	724.3	610.5
% Chg Same Month Last Year	9.1	-11.2	11.3	-2.5	5.2	2.4	-1.5	1.5	-1.0	-6.7	6.1	3.8	-6.5	6.1	-6.5
GF Sales & Use Receipts (\$ mill)	212.5	202.4	270.9	243.0	251.0	241.8	235.5	246.7	236.1	235.2	296.7	205.5	209.6	296.7	209.6
% Chg Same Month Last Year	3.9	-12.2	15.1	5.3	0.7	4.9	5.1	1.7	5.5	-1.5	3.7	6.2	-1.4	3.7	-1.4
GF Income Tax Receipts (\$ mill)	204.0	283.4	337.8	289.0	249.2	240.6	332.9	265.6	236.9	295.4	272.7	235.0	193.6	272.7	193.6
% Chg Same Month Last Year	19.0	-16.7	58.6	11.4	9.0	5.8	18.1	6.9	-2.3	9.7	34.9	3.5	-5.1	34.9	-5.1

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2007												2008		
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
% Chg Previous Month SAAR	1.6	0.4	1.4	0.9	0.5	0.6	0.7	1.2	0.5	0.4	-0.7	-0.7	-0.7		
% Chg Same Month Last Year	1.2	1.2	1.3	1.3	1.1	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.4		
US Service-Providing Employment (Mil.)	114.9	115.1	115.2	115.4	115.4	115.6	115.7	115.9	116.0	116.1	116.1	116.1	116.1		
% Chg Previous Month SAAR	1.4	1.1	2.0	1.2	0.9	1.5	1.2	1.9	1.2	1.2	-0.1	0.1	0.1		
% Chg Same Month Last Year	1.6	1.6	1.8	1.8	1.6	1.6	1.5	1.6	1.4	1.4	1.3	1.1	1.0		
US Manufacturing Employment (000s)	13,953.0	13,922.0	13,910.0	13,890.0	13,884.0	13,844.0	13,822.0	13,797.0	13,794.0	13,772.0	13,737.0	13,690.0	13,642.0		
% Chg Previous Month SAAR	-3.0	-2.6	-1.0	-1.7	-0.5	-3.4	-1.9	-2.1	-0.3	-1.9	-3.0	-4.0	-4.1		
% Chg Same Month Last Year	-1.8	-2.1	-2.0	-2.2	-2.1	-2.2	-2.2	-2.1	-1.9	-1.9	-2.0	-2.1	-2.2		
US Unemployment Rate (%)	4.4	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.7	5.0	4.9	4.8	5.1		
US Manufacturer's New Orders Index (1996=100)	129.7	130.5	128.3	129.6	133.4	128.8	128.2	128.2	128.3	129.5	125.7	123.7	123.3		
% Chg Previous Month SAAR	39.4	6.7	-17.9	12.7	41.0	-34.4	-4.9	-0.7	0.9	11.8	-29.6	-17.3	-4.2		
% Chg Same Month Last Year	-4.0	-1.4	-2.9	-2.1	1.7	-0.5	-3.0	-0.7	-0.6	-2.1	0.0	-1.9	-5.0		
US Initial Claims for UI (000s)	311.3	321.3	308.5	318.5	308.6	325.3	318.4	330.0	340.1	344.6	339.2	346.0	374.8		
% Chg Previous Month SAAR	-39.9	46.1	-38.6	46.6	-31.5	88.2	-22.7	53.6	43.6	17.1	-17.3	26.9	161.0		
% Chg Same Month Last Year	2.6	4.7	-7.2	3.2	-2.4	2.7	-0.3	4.4	3.7	7.5	7.7	6.5	20.4		
US Industrial Production Index (1992=100)	110.4	111.0	111.0	111.4	112.0	112.0	112.3	111.8	112.3	112.4	112.6	111.8	112.0		
% Chg Previous Month SAAR	-1.2	6.1	0.2	4.3	7.2	-0.3	3.1	-4.5	5.2	1.6	1.7	-8.3	2.1		
% Chg Same Month Last Year	1.3	1.4	1.5	1.4	1.7	1.6	2.2	1.9	2.5	2.1	2.6	1.1	1.4		
US Personal Income Less Trans. (Bil. 2000 chnd)	8,439.9	8,419.1	8,411.2	8,441.7	8,469.9	8,504.4	8,522.0	8,530.1	8,514.2	8,514.9	8,501.9	8,508.4	8,508.6		
% Chg Previous Month SAAR	4.8	-2.9	-1.1	4.4	4.1	5.0	2.5	1.1	-2.2	0.1	-1.8	0.9	0.0		
% Chg Same Month Last Year	4.0	3.6	3.9	3.6	4.3	4.7	4.1	2.6	2.0	1.8	1.7	1.2	0.8		
CPI, All Urban (1982-84=100)	205.1	205.8	206.7	207.2	207.7	207.7	208.5	209.1	210.9	211.7	212.5	212.6	213.3		
% Chg Previous Month SAAR	5.7	3.9	5.7	3.2	2.7	0.2	4.5	3.2	11.3	4.4	4.8	0.3	4.2		
% Chg Same Month Last Year	2.8	2.6	2.7	2.6	2.4	1.9	2.8	3.5	4.4	4.1	4.4	4.1	4.0		
US Retail Sales (\$Billions)	371.3	370.6	376.4	372.3	373.6	374.3	376.8	376.8	381.3	377.9	380.0	378.1	378.9		
% Chg Previous Month SAAR	10.4	-2.2	20.5	-12.5	4.4	2.3	8.3	-0.1	15.2	-10.1	6.9	-5.9	2.4		
% Chg Same Month Last Year	4.1	3.1	5.0	4.0	3.5	3.4	4.9	4.8	5.8	3.4	3.9	2.7	2.0		
US Consumer Expectations (1966=100)	78.7	75.9	77.6	74.7	81.5	73.7	74.1	70.1	66.2	65.6	68.1	62.4	60.1		
% Chg Previous Month AR	-34.3	-35.3	30.4	-36.7	184.5	-70.1	6.7	-48.6	-49.7	-10.4	56.6	-65.0	-36.3		
% Chg Same Month Last Year	3.6	3.4	13.8	3.8	12.4	8.4	-5.2	-17.3	-20.4	-19.2	-22.3	-23.4	-23.6		
Ave. Prime Interest Rate (% NSA)	8.25	8.25	8.25	8.25	8.25	8.25	8.03	7.74	7.50	7.33	6.98	6.00	5.66		